

FYI ONLY  
ER 85-2240

**Office of Legislative Liaison**  
**Routing Slip**

TO:	ACTION	INFO
1. D/OLL		X
2. DD/OLL		X
3. Admin Officer		
4. Liaisor		X
5. Legislation		X
6.		X
7.		X
8.		
9.		
10.		
SUSPENSE		Date

Action Officer:

Remarks:

FYI ONLY

Name/Date

**EXECUTIVE SECRETARIAT  
ROUTING SLIP**

TO:

	ACTION	INFO	DATE	INITIAL
1 DCI	X			
2 DDCI	X			
3 EXDIR	X			
4 D/ICS	X			
5 DDI	X			
6 DDA	X			
7 DDO	X			
8 DDS&T	X			
9 Chm/NIC				
10 GC	X			
11 IG	X			
12 Compt	X			
13 D/Pers				
14 D/OLL	X			
15 D/PAO	X			
16 SA/IA				
17 AO/DCI				
18 C/IPD/OIS				
19				
20				
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22				
SUSPENSE				

Remarks

Date

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6 June 1985

Date

3637 (10-81)

THE WHITE HOUSE  
WASHINGTON Record

Executive Registry

85-2240

## CABINET AFFAIRS STAFFING MEMORANDUM

Date: June 5, 1985 Number: 175432CA Due By: --

Subject: President's Tax Fairness Plan: Talking Points for  
Administration Spokesmen

ALL CABINET MEMBERS	Action	FYI	CEA	Action	FYI
Vice President	<input type="checkbox"/>	<input checked="" type="checkbox"/>	CEA	<input type="checkbox"/>	<input type="checkbox"/>
State	<input type="checkbox"/>	<input type="checkbox"/>	CEQ	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Treasury	<input type="checkbox"/>	<input type="checkbox"/>	OSTP	<input type="checkbox"/>	<input type="checkbox"/>
Defense	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Justice	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Interior	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Agriculture	<input type="checkbox"/>	<input type="checkbox"/>	Deaver	<input type="checkbox"/>	<input type="checkbox"/>
Commerce	<input type="checkbox"/>	<input type="checkbox"/>	Mc Farlane	<input type="checkbox"/>	<input type="checkbox"/>
Labor	<input type="checkbox"/>	<input type="checkbox"/>	Svahn	<input type="checkbox"/>	<input type="checkbox"/>
HHS	<input type="checkbox"/>	<input type="checkbox"/>	Chew (For WH Staffing)	<input type="checkbox"/>	<input type="checkbox"/>
HUD	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Transportation	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Energy	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Education	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
OMB	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
CIA	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
UN	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
USTR	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Chief of Staff	<input type="checkbox"/>	<input type="checkbox"/>	Executive Secretary for:	<input type="checkbox"/>	<input type="checkbox"/>
GSA	<input type="checkbox"/>	<input checked="" type="checkbox"/>	CCCT	<input type="checkbox"/>	<input type="checkbox"/>
EPA	<input type="checkbox"/>	<input checked="" type="checkbox"/>	CCEA	<input type="checkbox"/>	<input type="checkbox"/>
NASA	<input type="checkbox"/>	<input checked="" type="checkbox"/>	CCFA	<input type="checkbox"/>	<input type="checkbox"/>
OPM	<input type="checkbox"/>	<input checked="" type="checkbox"/>	CCHR	<input type="checkbox"/>	<input type="checkbox"/>
VA	<input type="checkbox"/>	<input checked="" type="checkbox"/>	CCLP	<input type="checkbox"/>	<input type="checkbox"/>
SBA	<input type="checkbox"/>	<input checked="" type="checkbox"/>	CCMA	<input type="checkbox"/>	<input type="checkbox"/>
			CCNRE	<input type="checkbox"/>	<input type="checkbox"/>

## REMARKS:

The attached is forwarded for your use in general discussions of the President's tax simplification proposal.

Thanks.

## RETURN TO:

Alfred H. Kingon  
Cabinet Secretary  
456-2823  
(Ground Floor, West Wing)

Don Clarey  
 Tom Gibson  
 Larry Herboldsheimer

Associate Director  
Office of Cabinet Affairs  
456-2800 (Room 129, OEOB)

## WHITE HOUSE TALKING POINTS

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June 5, 1985

### PRESIDENT REAGAN'S TAX FAIRNESS PLAN: TALKING POINTS FOR ADMINISTRATION SPOKESMEN

Since President Reagan proposed a revolutionary overhaul of America's federal income tax system last month, momentum for reform has continued to build:

- A Newsweek poll shows that 2 of every 3 Americans who have heard of the President's plan favor it;
- Three of five Americans feel the current tax system is essentially unfair;
- The President's May 28 speech announcing the tax reform plan generated the second highest favorable response of any of his nationally broadcast speeches since 1981;

Clearly, the American people overwhelmingly support tax fairness. The following update lists some key facts about the President's proposal, rebutting some common (but unfounded) criticisms.

Criticism: "The proposal doesn't do much for middle income taxpayers."

Fact: Middle income taxpayers do very well under the President's plan:

- o While federal tax rates for all income groups would come down by an average of 7%, middle income families as a group (those earning between \$20,000 and \$50,000) would get an even larger percentage tax reduction -- they would pay an average of 7.2% less in income tax,
- o That compares to an average of 5.8% less for a family income of \$50,000 or higher;
- o At the lower end of the middle income range, families would pay on average 8.7% less in federal income taxes if they earned \$20-30,000 and 13.5% less if they earned \$15-20,000;
- o A working family of 6 earning \$26,000 (and contributing just \$2,000 to an Individual Retirement Account) would pay only \$1,200 in federal income tax -- an effective rate of just under 5%;

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For additional information, call the White House Office of Public Affairs

- o More than 3 of every 5 families earning between \$15-20,000 would pay lower federal income taxes (with most of the rest paying about the same as now). And all would benefit from the simplicity of the new system;

Criticism: "The rich gain most -- if you're well-to-do, you do very well."

Fact: the poor are among the biggest gainers:

- o The largest percentage tax reduction by far goes to the lowest income groups:
  - The poorest Americans (those with family incomes less than \$10,000) get a tax reduction (35.5%) more than triple the percentage reduction given to the wealthiest taxpayers;
  - Families earning from \$10,000 to \$15,000 get a percentage tax reduction (22.8%) more than double that of the wealthiest taxpayers;
- o Under the President's plan, virtually all families at or below the poverty level would be entirely exempted from paying any federal income tax;
- o The earned income tax credit for the working poor would be raised and indexed to protect against inflation;
- o When marginal tax rates are high, it's the wealthy taxpayers who can afford to hire the high-priced legal and tax advice to escape taxes through loopholes;
- o Lowering those rates and closing the loopholes will mean less money is hidden in tax shelters and more is invested in job-producing enterprises -- and it's lower and middle income workers who stand to gain most from those new jobs;
- o Even a modest tax reduction (coupled with sharply lower inflation since President Reagan took office) can be a big help to a poverty-level family's budget, where every dollar counts;
- o With fewer loopholes and tax shelters under the President's plan, the richest Americans (incomes of \$200,000 and up) would see more of their income subject to tax while Americans with incomes under \$30,000 would see less of their income taxed, thanks to the larger personal exemptions and standard deduction;

Criticism: "Big business will probably make out best."

Fact: It's small and new businesses that gain most from the President's proposals:

- o Between 12 and 15 million taxpayers who own small businesses have all or part of the income from them taxed at personal, rather than corporate, rates -- so their small businesses would benefit from the lower personal rates in the President's plan;
- o And the lowered corporate tax rates (maximum rate cut from 46% to 33%) will benefit all small corporations. Moreover, there will be graduated rates from 15% to 33% for small corporations;
- o With IRAs more widely available to taxpayers and with more after-tax income in Americans' pockets, the supply of available capital will rise, which will help small businesses.
- o Thanks to the reduction in capital gains tax rates, small businesses will find it easier to locate sources of risk capital and entrepreneurs will find it easier to sell their businesses;
- o As for those businesses which previously paid no tax, the President's plan toughens minimum tax requirements to make sure all businesses (as well as individuals) pay their fair share.

Criticisms: The proposal restores the marriage tax penalty, taxes unemployment compensation and ends the deduction for state and local taxes -- all of which would hurt families.

Fact: all three proposals are fair:

- o As for the "marriage penalty," the increased personal exemptions and lower rates will in many cases more than make up for the loss of the two-earner deduction;
- o In the case of unemployment benefits, the plan is supposed to treat equally taxpayers with equal earnings. An unemployed person earning \$15,000 in benefits should be taxed the same as a working person earning the same income;
- o As for state and local taxes, it simply isn't fair to make citizens of states where taxes are low subsidize out of their pockets the high-tax policies of a few states -- or the few, higher-income itemizers in those states who use the state and local tax deduction;

- o As for families generally, the benefits -- doubled personal exemption for every family member, increased standard deduction, larger allowable IRA contribution for families with only one wage-earner, lower rates -- are overwhelming.

Some general points:

- o 97 out of every 100 taxpayers would pay a top tax rate of no more than 25% under the President's plan;
- o And no matter how hard an American worked to earn overtime pay, or how many raises he or she received over the years, the IRS could never take more than 35¢ out of any dollar in a paycheck;
- o The President's plan would seek to curb the abuse of tax avoidance loopholes that's so widespread it makes up a vast, untaxed "underground economy" which cheats honest taxpayers;
- o By making the system simpler and fairer, the President's plan would look to the broader national interest and a strong economy rather than encouraging scuffles over tax advantage for this or that group;
- o Four of every five taxpayers would end up either better off or with no change in tax liabilities under the President's plan.
- o By the early 1990s, potentially more than half of all taxpayers would not have to file tax returns if they wished.